

# HOUSE BILL REPORT

## SSB 5611

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### As Reported by House Committee On:

Judiciary  
Appropriations

**Title:** An act relating to the interest rate on legal financial obligations.

**Brief Description:** Changing the interest rate on legal financial obligations.

**Sponsors:** Senate Committee on Judiciary (originally sponsored by Senators Esser, Kline, Regala, Hewitt, Fairley, McCaslin, Zarelli, Weinstein, Stevens, Johnson, Brandland, Hargrove and Franklin).

### Brief History:

#### Committee Activity:

Judiciary: 2/22/06 [DPA];  
Appropriations: 2/27/06 [DPA(JUDI)].

### Brief Summary of Substitute Bill (As Amended by House Committee)

- Changes the interest rate applicable to financial obligations imposed in a criminal judgment to two percentage points above the 26-week treasury bill rate.

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## HOUSE COMMITTEE ON JUDICIARY

**Majority Report:** Do pass as amended. Signed by 9 members: Representatives Lantz, Chair; Flannigan, Vice Chair; Williams, Vice Chair; Priest, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Campbell, Serben, Springer and Wood.

**Staff:** Edie Adams (786-7180).

### Background:

When a defendant is convicted of a crime, the court may impose financial obligations as part of the judgment and sentence. Financial obligations that may be imposed on a defendant include: victim restitution; crime victims' compensation fees; court costs; court-appointed attorneys' fees and costs of defense; fines; and other costs associated with the offense or sentence.

Judgments for financial obligations in criminal proceedings bear interest from the date of judgment at the same rate that is applicable to non-tort civil judgments. The rate of interest generally applicable to non-tort civil judgments is the greater of 12 percent or four points

above the 26-week treasury bill rate. As a result of low treasury bill rates, 12 percent has been the applicable interest rate on criminal financial obligation judgments for at least the last decade.

In 2004, the Legislature established a new method of calculating the interest rate applicable to tort judgments; previously the rate was the same as the general civil judgment rate. The interest rate now established for tort judgments is two percentage points above the 26-week treasury bill rate.

Interest that accrues on the restitution portion of a criminal financial obligation is paid to the victim of the offense. All other interest accruing on the judgment is split between the state and the county as follows:

- 25 percent to the state for the Public Safety and Education Account;
- 25 percent to the state for the Judicial Information System Account; and
- 50 percent to the county current expense fund, 25 percent of which must be used to fund local courts.

The Public Safety and Education Account is used to fund a variety of programs, including criminal justice training, crime victim's compensation, indigent representation, the judicial information system, and highway and traffic safety. The Judicial Information System Account is used to acquire the equipment, software, supplies, and services necessary to provide information systems for the judiciary and information systems access to non-court users. The county current expense fund is the general county fund used to fund county expenses.

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### **Summary of Amended Bill:**

The interest rate applicable to financial obligations imposed in a criminal judgment is changed to two percentage points above the 26-week treasury bill rate for the December preceding the date of entry of the judgment. The interest rate is readjusted annually on January 1 of each year and the readjusted rate applies to the accrual of interest during that year.

This new method of calculating interest on criminal financial obligations applies to judgments entered on or after the effective date of the act and to the accrual of interest on existing judgments from the effective date of the act. Interest that has accrued on a judgment prior to the effective date of the act is not affected by the change in the interest rate.

### **Amended Bill Compared to Substitute Bill:**

The proposed substitute makes a conforming amendment to another provision of law that specifies the rate of interest applicable to criminal financial obligations.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (In support) It is fundamentally unfair to charge a 12 percent interest rate on legal financial obligations. The 12 percent rate is excessive and saddles an offender with an impossible obligation. The interest accrues even while the offender is incarcerated and unable to earn money to repay it. Interest accumulates at a rate that is far in excess of what the person is able to pay. Many offenders work to pay off the debt, but are unable to keep up with the crushing interest accumulations, which can often far exceed the amount of the underlying obligation. This leads to a hopelessness that can result in the offender giving up and stopping payment altogether. The underlying obligation should be paid, but the interest rate that is applied to that obligation should be reasonable. The Legislature decided two years ago that two points above the T-bill rate is a reasonable interest rate. Lowering the rate will help the person succeed, which will enable the person to have more funds to repay their restitution and financial obligations over time.

(With concerns) Legal financial obligation issues have an impact on victims because these financial obligations include victim restitution and crime victims compensation fees. It is important to keep victim's interests in mind when discussing changes relating to legal financial obligations. It is also important to think about alternative ways of addressing these issues that may not have as significant an impact on crime victims.

**Testimony Against:** None.

**Persons Testifying:** (In support) Roger Kluck, Friends Committee on Washington Public Policy.

(Concerns) Dave Johnson, Washington Coalition of Crime Advocates.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass as amended by Committee on Judiciary. Signed by 24 members: Representatives Sommers, Chair; Fromhold, Vice Chair; McDonald, Assistant Ranking Minority Member; Buri, Clements, Cody, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; Armstrong, Bailey, Chandler and Pearson.

**Staff:** Owen Rowe (786-7391).

**Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Judiciary:**

No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Amended Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.